

DOCKET SECTION

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001**

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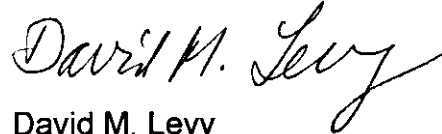
Docket No. R97-1

Postal Rate And Fee Changes, 1997

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS
WITNESS HALDI TO INTERROGATORIES OF THE
UNITED STATES POSTAL SERVICE
(USPS/ANM-T1-1-19)**

The Alliance of Nonprofit Mailers hereby provides the responses of witness John Haldi to interrogatories USPS/ANM-T1-1 through -19. Each interrogatory is stated verbatim and followed by a response.

Respectfully submitted,



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February 5, 1998

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/ANM-T1-1. Please refer to page 46 of your testimony. Please explain what you mean by "postage evidencing." Does this refer to postage, endorsements, or other mailpiece characteristics?

RESPONSE

The term "postage evidencing," as used in my testimony at p. 46, refers to evidence of postage having been paid, in any of the various forms recognized by the Postal Service. As such, the term currently includes stamps, meter imprint and pre-printed indicia. In the future it may be expanded to include some form of computer-generated marking.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO
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USPS/ANM-T1-2. On page 46, line 13 of your testimony, you state that TRACS samples water transportation movements. Please state your basis for this assertion.

RESPONSE

Upon review the statement in my testimony is not correct. It should read as follows:

TRACS is a sampling system, and it samples mail from all the different modes of postal transportation except water; *i.e.*, air, highway and rail.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/ANM-T1-3. On page 45, line 5 of your testimony, you present a figure of \$11,451,000 to represent the increase in purchased transportation costs for Nonprofit Standard A Regular mail. Please confirm that this figure is the result of the subtraction of CRA 1996 costs from CRA 1995 costs or $\$50,937,000 - \$39,486,000$.

RESPONSE

Confirmed.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/ANM-T1-4. Is it your testimony that the entire increase in transportation costs results from TRACS? Please explain any other reasons underlying this cost increase, including increases in accrued costs and increases in the percentage of costs that are considered volume variable or attributable.

RESPONSE

I assume that your question means to refer to the increase, from FY95 to FY96, in transportation costs attributed to nonprofit Standard Mail (A). With that understanding, my answer is no, not all the increase in transportation cost was probably the result of TRACS. My testimony at page 10 notes that volume increased by 0.75 percent. The average weight also increased slightly, as shown in Table 7, page 20. These slight changes in cube may have been offset, at least partially, by the increase in destination entry shown in Table 6 at page 19 of my testimony. With respect to changes in the percentage of costs considered volume variable, see my response to USPS/ANM-T1-5.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/ANM-T1-5. Is it your understanding that FY 1995 costs use the same volume variability factors for highway transportation as FY 1996? If it is not, please explain your understanding of any differences in the volume variabilities for highway transportation costs between FY 1995 and FY 1996.

RESPONSE

It is my understanding that FY96 is prepared on the same basis as FY95, and the difference between FY96 and BY96 reflects changes in assumption regarding variability. This understanding is based on the following statement by USPS witness Alexandrovich (USPS-T-5, pp. 3-4):

The costing methodology employed in the Fiscal Year 1996 CRA departs from that used in Fiscal Year 1995 only in two relatively minor respects. [footnote omitted] The first of these is a technical adjustment to correct for the different employee mix found in plants and non-plants at CAG A and CAG B sites in the In-Office Cost System (IOCS).

The second change in Fiscal Year 1996 costing is the creation of separate components for the costs associated with power transport equipment, such as forklifts, tractors and cargo carriers.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/ANM-T1-6.

- (a) In developing your testimony regarding transportation cost changes from FY 1995 to FY 1996 did you consider any of the following:
 - (i) Changes in average weight per piece of Nonprofit Standard A Regular?
 - (ii) Changes in volume of Nonprofit Standard A Regular?
- (b) Would you agree that if Nonprofit Standard A Regular mail weighed more in FY 1996, other things being equal, it would tend to have a greater cube in FY 1996?

RESPONSE

- (a)
 - (i) Yes; see my testimony at page 20, lines 1-13.
 - (ii) Yes; see my testimony at page 10, lines 10-12.
- (b) Yes.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/ANM-T1-7. Do you have any evidence to support the proposition that Nonprofit Standard A mail traveled the same distance on average in FY 1996 that in FY 1995? If so, please provide such evidence.

RESPONSE

The year-to-year stability of the profile of Nonprofit Standard A mail, discussed in my testimony at pp 10-20, coupled with the slight increase in destination entry at BMCs (see Table 6, p. 19), would indicate that on average the distance traveled by Nonprofit Standard A mail in 1996 was no greater than the average distance traveled in 1995.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO
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USPS/ANM-T1-8. Your testimony frequently uses terms such as "actual amount of mail" (e.g., page 46), "actual volumes of sampled mail" (page 49), "actual mail volume" (page 51), "actual volume of mail" (page 48), and "volume of mail actually transported" (page 54). To which of the following measures are you referring as "actual volume".

- (a) pieces
- (b) cubic feet
- (c) pounds
- (d) cubic foot miles
- (e) pound miles

If your answer is anything other than one of the above measures, please provide your preferred measure and explain why you prefer it.

RESPONSE

The references at pages 46, 48, 49, 50 and 51 are to measurements of mail as it is off-loaded from a truck. In this context, the above references are to cubic feet. The reference at page 54, to "volume of mail actually transported," would be to cubic foot miles.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/ANM-T1-9. Please refer to page 47 of your testimony. On lines 8-9 you state that the truck capacity must "obviously be sized for whatever segment or segments have the highest average volume." Please explain the basis for this assertion.

RESPONSE

To put your question into perspective, the sentence immediately preceding the one referred to in your question states that "[o]n any given day, all segments of the route are necessarily served by the same truck." Thus, although on each successive day of the week, the Postal Service theoretically may be able to change the size of the truck used on a route, under normal operating conditions, for any given day the size of the truck is assumed to be fixed. On each day, therefore, the options are to size the truck (i) for the segment with the highest average volume, or (ii) for some segment with average volume somewhat less than the segment with the highest average volume. If option (ii) is selected, then on that day the truck may lack sufficient capacity to carry all volume on the segment with the highest average volume. Whenever that situation occurs, the Postal Service must either put another truck (and driver) into "emergency" service, or fail to transport some of the mail that day. Both of these latter options strike me as somewhat undesirable, hence option (i) above, sizing the truck for the segment with the highest average volume, would appear to be a generally sensible solution.

RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE

USPS/ANM-T1-10. Please provide a list of all documents you reviewed in preparation of the portions of your testimony that deal with postal purchased transportation costs or operations, and TRACS.

RESPONSE

Before July 10, 1997, when the Postal Service filed its case in this docket, I recall reading the following documents on the subject:

- *Docket No. R90-1*: Testimony and interrogatory responses of witness Cathy Rogerson.
- *Docket No. R94-1*: Oral cross-examination and interrogatory responses of witness Dana Barker; TRACS Sample Design, Programs and Documentation, Highway and Rail.

It is possible that I reviewed other documents which I do not recall.

Since July 10, 1997, I have reviewed the following items on the same subject:

Testimony: USPS-T-2 (Nieto); USPS-T-13 (Bradley); USPS-T-16 (Hatfield)

Library References: H-78, H-82

Interrogatory responses filed by witnesses: Nieto, Bradley, Hatfield

Oral cross-examination of witnesses: Nieto, Bradley

RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE

USPS/ANM-T1-11. On pages 48-49 of your testimony, you state that in a TRACS highway test an OTR container "may have only one or two sacks of nonprofit mail" in it. Please provide your estimate of the frequency with which this occurred in TRACS tests in FY 1996 and in FY 1995.

RESPONSE

I have not examined the individual entries in the TRACS database for nonprofit mail. Moreover, as explained in my testimony at page 49, regardless of whether the OTR contains only one or two sacks of nonprofit mail (and nothing else), or is filled to the brim with nonprofit mail, the TRACS data collector records the OTR as 100 percent nonprofit mail. Consequently, as originally entered, the TRACS data provide no insight whatsoever on the answer to your question, hence even the most detailed examination of the TRACS database would not be expected to shed any light on the issue. Any quantitative estimate on my part would therefore be pure speculation, which I decline to make.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO
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USPS/ANM-T1-12. On page 51, lines 16-19 of your testimony, you explain that when one sack or container is on a truck, it gets "stuck" with the entire cube. Please provide your estimate of the frequency with which this occurred in FY 1995 and FY 1996.

RESPONSE

The particular statement to which your question refers occurs within a "hypothetical" discussion that is intended to illustrate how TRACS works. Namely, TRACS "bends over backwards" to avoid any kind of cost averaging, even over a single route, which witness Bradley considers to be a joint cost. Instead, under TRACS, cost distribution to the classes of mail is inversely proportional to capacity utilization (see response to FGFS/USPS-T2-45). From an economic perspective, the way TRACS distributes highway transportation costs is fundamentally wrong, no matter how often (or infrequently) trucks contain only one sack or container of mail. It would be my hope that the situation alluded to (*i.e.*, only one sack or container on an entire truck) would occur rarely, if ever. However, only a detailed examination of the TRACS database might reveal how often the situation actually occurs.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO
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USPS/ANM-T1-13. On page 49, lines 4-5 of your testimony, you state that a container that is "practically empty" could have "just have easily been filled with something else". If no other mail is available would you recommend withholding the container from transportation until it can be filled? Please explain fully.

RESPONSE

To withhold a practically empty container from transportation until it can be filled, as the question posits, would be even more ridiculous than assigning the entire capacity of the container to the particular class of mail that happens to occupy only a small portion of the container.

Collectively, Postal Service highway contracts constitute a *scheduled* transportation network. Within the framework of timely departures and timely arrivals, the object is to transport as much mail as expeditiously as possible. Operation of the Postal Service's transportation system, including decisions such as that posed in this interrogatory, should be totally independent of TRACS, which is nothing more than a sampling system. That is, design of the sampling system should not determine or affect operation of the transportation system itself.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/ANM-T1-14. On page 49, lines 11-13 of your testimony, you note that "the actual volume of mail is not recorded". Assume that an OTR is filled with nonprofit mail. Do you recommend that the entire contents of the OTR be counted in a TRACS test?

RESPONSE

Please see my response to USPS/ANM-T1-8, where I recommend that the actual cubic feet of space occupied by each class of mail be recorded. If the OTR is filled with nonprofit mail, then the full number of cubic feet within an OTR should be recorded and ascribed to nonprofit mail. When taking the TRACS test, the number of pieces would not need to be counted.

RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE

USPS/ANM-T1-15. Please refer to page 50, line 7 of your testimony, where you claim that TRACS is "capable of producing absolutely bizarre results." Please indicate which TRACS test in FY 1995 and FY 1996 produced results that you would consider to be "absolutely bizarre," and explain why you would view them in this manner.

RESPONSE

1. See response to FGFS-A-T2-51. Three parcels, on a vehicle that was 70 percent empty, had combined calculated cubic feet of 2.37849. Through a series of expansions described there, a total of 1,807.29 cubic feet were ascribed to these three parcels. The expansion factor here is 760. The containers may have had some other loose parcels in them, but a large part of the expansion simply represents empty space.
2. See response to FGFS-A-T2-52. A sack containing 183 pieces of mailcode M, weighing 8.125 pounds and having a calculated cubic feet of 0.45974, was deemed representative of other sacks which occupied a total of 9.868 cubic feet, or 20 percent of the container. This amount of actual mail, about 10 cubic feet, was then expanded to 541.54 cubic feet, which is 55 times the actual volume of mail in the container, and almost 1200 times the cubic feet of mail in the sampled sack.
3. See response to FGFS-A-T2-53, where the ratio of the expanded cubic feet to the actual cubic feet of mail sampled ranges from 96 to 8,571, and the variation in this ratio has nothing to do with the amount of amount of mail, but instead is said to be depend upon factors such whether the sampled item was loose or in a container, and the type of container.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO
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USPS/ANM-T1-16. Please refer to your testimony on pages 49-50, where you state that TRACS assigns "all available cube" on a truck "to whatever mail happens to be off-loaded from the truck." Is it your testimony that TRACS assigns "all cube" to offloaded mail?

RESPONSE

No. To simplify matters and help illustrate the point being made at that particular point in my testimony, I made the implicit assumption that the truck had reached an "end-point" and was being fully off-loaded. If the TRACS sample is taken at an intermediate stop, empty space is pro-rated between the volume off-loaded and the volume remaining on the truck.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/ANM-T1-17. Please refer to your testimony on page 53 where you assert that "trucks systematically utilize more capacity in one direction".

- (a) Is this your understanding for inter-SCF routes that are round trips?
- (b) Is this your understanding for inter-SCF routes that are one-way?
- (c) Is this your understanding for inter-BMC routes that are round-trips?
- (d) Is this your understanding for inter-BMC routes that are one-way?

RESPONSE

- (a) Yes
- (b) No
- (c) Yes
- (d) No

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO
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USPS/ANM-T1-18. Please refer to the following intra-BMC routing: BMC1 to SCF1 to SCF2 to BMC1.

- (a) Which of the three segments of this route do you consider to be inbound?
- (b) Would you agree that the truck moving on the first leg (BMC1 to SCF1) would "average significantly higher capacity utilization" than when the truck moves on the last leg (SCF2 to BMC1)? Please fully explain your response.

RESPONSE

- (a) Leg 1 is outbound. Leg 2 is mixed; to the extent that the truck contains mail loaded at the BMC for SCF2 it is outbound, and to the extent that the truck loads mail at SCF1 for the BMC, it is inbound. Leg 3 is inbound.
- (b) Yes. Mailers now dropship a large volume of Standard mail to BMCs. Consequently, the Postal Service has considerably more destinating mail which must be transported from BMCs to associated facilities that it has originating mail for transportation to BMCs. See also the response to FGSA/USPS-T2-12, the part which shows highway capacity utilization factors for Intra-BMC. Based on a simple unweighted average of the percentages shown there, outbound trucks arriving at SCFs were 72.2 and 72.0 percent utilized in 1995 and 1996, respectively, while trucks arriving at BMCs had respective utilization factors of only 40.5 and 41.2 percent.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS WITNESS HALDI TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/ANM-T1-19. On page 55 of your testimony, you recommend that TRACS should eliminate the procedures used to “assign absolutely empty floor space on the truck.”

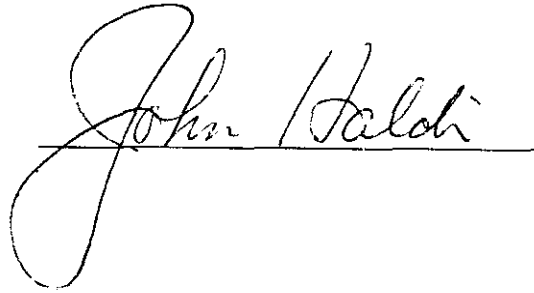
- (a) Are you recommending that this step be taken for one way movements?
- (b) Are you recommending that this step be taken for round-trip movements?
- (c) For what specific TRACS subsystems (e.g., intra-BMC) are you making this recommendation?

RESPONSE

- (a) Yes
- (b) Yes
- (c) For all highway accounts sampled by TRACS; *i.e.*, for intra-SCF highway, inter-SCF highway, intra-BMC highway, and inter-BMC highway.

DECLARATION

I, John Haldi, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, reading "John Haldi", is written over a horizontal line.

Dated: Feb. 4, 1998

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

David M. Levy

February 5, 1998